

Message Text

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SUBJECT: COMMERCE DEPUTY ASSISTANT SECRETARY DOWNEY MEETS WITH
GDR COUNTERPART BEIL

REF: STATE 42393

SUMMARY-IN MEETING ARRANGED BY EMBASSY, DEPUTY ASSISTANT
SECRETARY OF COMMERCE FOR EAST-WEST TRADE ARTHUR DOWNEY
ENCOURAGED HIS GDR COUNTERPART, FOREIGN TRADE MINISTRY
STATE SECRETARY GERHARD BEIL, TO UTILIZE POSSIBILITIES
AFFORDED BY EXISTING AVENUES TO ESTABLISH A FOUNDATION
OF CONFIDENCE ON WHICH A LONG-TERM TRADING RELATIONSHIP
CAN BE CONSTRUCTED. CONVERSATION WAS GENERALLY CONSTRUC-
TIVE, BUT ON A FEW OCCASIONS BEIL'S COMMENTS REVEALED
CHAGRIN AT CANCELLATION OF HIS PLANNED VISIT TO U.S.
AND OUR "LINKAGE" OF TRADE MATTERS TO OTHER ISSUES.
END SUMMARY.

1. AT THE REQUEST OF THE EMBASSY, GDR DEPUTY FOREIGN
TRADE MINISTER GERHARD BEIL AGREED TO MEET ON FEBRUARY
28 WITH COMMERCE DEPUTY ASSISTANT SECRETARY ARTHUR
DOWNEY. THE MEETING WAS ARRANGED ON VERY SHORT NOTICE,
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AND BEIL KEPT GDR AMBASSADOR TO ITALY GYSI WAITING

THIRTY MINUTES AS CONVERSATION WITH DOWNEY STRETCHED TO ONE HOUR. DISCUSSION BROKE NO NEW GROUND, BUT IT DID GIVE DOWNEY AN OPPORTUNITY TO MEET HIS EAST GERMAN OPPOSITE NUMBER AND TO EXPLAIN THAT HIS FUNCTIONS AND RESPONSIBILITIES AS THE SENIOR AMERICAN OFFICIAL EXCLUSIVELY CONCERNED WITH EAST-WEST TRADE APPROXIMATED THOSE OF BEIL IN THE GDR. DOWNEY ALSO USED THE OCCASION TO REPEAT EMBASSY'S INVITATION TO BEIL TO VISIT COMMERCE'S BDO AT LEIPZIG FAIR (BEIL INDICATED HE WOULD DO SO) AND TO SAY THAT AMBASSADOR COOPER WOULD WELCOME VISIT TO BDO BY GDR PARTY/GOVERNMENT DELEGATION DURING TRADITIONAL OPENING DAY WALK-THROUGH. THE BALANCE OF DOWNEY'S COMMENTS DEALT LARGELY WITH THE DESIRABILITY OF CREATING A FOUNDATION OF CONFIDENCE ON WHICH TO LATER BUILD A LONG-TERM TRADING RELATIONSHIP. IN THIS CONNECTION, DOWNEY CITED SHELEPIN'S RECENT EAST BERLIN SPEECH AND SUGGESTED THAT THE GDR'S TECHNICAL DAYS IN THE US BE RESCHEDULED AS A MEANS OF EMPHASIZING THE VALUE OF BILATERAL TRADE.

2. BEIL WAS RELAXED AND IN GOOD HUMOR THROUGHOUT THE MEETING. WHILE HIS REMARKS REFLECTED RATHER NEGATIVE VIEWS REGARDING THE PROSPECTS FOR US/GDR TRADE, HE EMPHASIZED THE VIEW THAT THIS STATE OF AFFAIRS WAS NOT OF THE GDR'S MAKING. IN A RELAXED MOOD, BEIL REFERRED TO HIS US VISIT OF LATE 1972, TERMING IT A PROMISING START---"A SPRING OR EARLY SUMMER"-- FOR OUR BILATERAL TRADING RELATIONSHIP. RIGHT NOW, HOWEVER, HE PROFESSED NOT TO KNOW WHETHER WE WERE IN A FALL OR WINTER PERIOD. BEIL SAID HE WOULD HAVE WISHED THE EMBASSY A BETTER START IN THE TRADE AREA. BUT THE TRADE ACT HAD MADE IMPOSSIBLE THE CONCLUSION OF A BILATERAL TRADE AGREEMENT. BEIL THEN AVERRED THAT HIGH TARIFFS ON GDR GOODS LIMIT SALES IN U.S. APPARENTLY REFERRING TO AS YET UNPUBLISHED GDR TRADE STATISTICS, BEIL STATED THAT 1974 BILATERAL TRADE TURNOVER WAS MORE THAN DOUBLE THE 1973 LEVEL. NOTING THAT GDR IMPORTS HAD EXPANDED AT A FASTER RATE THAN ITS EXPORTS TO THE U.S., BEIL STATED THAT THE GDR WANTS MORE FROM THE US THAN IT WISHES TO PURCHASE. HE POINTED OUT THAT THIS SITUATION COULD NOT LIMITED OFFICIAL USE

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CONTINUE INDEFINITELY. "WE ARE NOW WORKING OUT OUR MEDIUM-RANGE PROJECTIONS THROUGH 1980 AND, BY MID-1975, I HAVE TO SUBMIT TO THE COUNCIL OF MINISTERS MY PROPOSALS REGARDING TRADING INTENTIONS VIS-A-VIS THE WEST. MY PROBLEM IS THAT FOR 1976-1980, I CAN PROPOSE NOTHING SPECIFIC CONCERNING TRADE WITH THE U.S. "

3. BEIL NOTED THAT HIS DEPARTURE FOR JAPAN ON THE SAME

DAY THAT HE HAD BEEN SCHEDULED TO LEAVE FOR THE US WAS A COINCIDENCE. GDR TRADE PLANS FOR 1976-80 WITH JAPAN, AS OPPOSED TO THE US CASE, WERE QUITE FIRM AS A CONSEQUENCE OF THE RECENTLY SIGNED AGREEMENT WITH THAT COUNTRY. BEIL SAID THAT THE EAST GERMANS HAD HAD CONCRETE NEGOTIATIONS IN TOKYO REGARDING THE PURCHASE OF 11 TURN-KEY INSTALLATIONS((UNSPECIFIED) FROM JAPAN. THESE NEGOTIATIONS ARE TO BE SET FORTH IN BERLIN DURING THE CURRENT WEEK.

4. BEIL SAID HE HAD MADE THE DECISION TO SHELVE THE GDR TECHNICAL DAYS IN THE U.S. ACCORDING TO BEIL, THIS TRADE PROMOTION PROGRAM WAS ENVISAGED AS FLOWING FROM THE ESTABLISHMENT OF RELATIONS: AS RECIPROCATING BUSINESS INTERNATIONAL'S (BI) EAST BERLIN ROUND TABLE OF 1973; AND, AS SERVING TO EXPAND US-GDR TRADE. IN 1976 AND BEYOND, EVEN IF NOT IN 1975. BEIL ASSERTED THAT THE GDR HAD NO ILLUSIONS REGARDING THE TRADE ACT AND THE POSSIBILITIES OF OBTAINING MFN PRIOR TO 1978 OR 1979. INSISTING THAT "NORMAL TARIFFS ARE MOST IMPORTANT", BEIL SAID THE TROUBLE AND EXPENSE CONNECTED WITH THE MOUNTING OF TECHNICAL DAYS IN THE US WOULD HAVE BEEN FOR NAUGHT IN THIS ENVIRONMENT. ALLUDING TO THE "LINKAGE" WE HAD ESTABLISHED BETWEEN TRADE TALKS AND SATISFACTORY PROGRESS ON A CONSULAR CONVENTION AND A CLAIMS SETTLEMENT, BEIL SAID HE WOULD BE PREPARED TO RESCHEDULE THE TECHNICAL DAYS PROVIDED WE ALTERED OUR MARKING REQUIREMENTS FOR GOODS ORIGINATING IN THE GDR. DOWNEY COMMENTED THAT IT WOULD BE PREFERABLE TO CONSIDER AND ACT ON EACH OF THESE ISSUES ON ITS OWN MERITS.

5. REERRING TO HIS CANCELLED TRIP, BEIL SAID HE HAD HAD THREE OBJECTIVES IN MIND: (A) TO CONTINUE THE 1973 BI TALKS ON CONCRETE MATTERS; (B) TO PRESENT TO AMERICAN BUSINESS CIRCLES INFORMATION ON THE GDR AND ITS ECONOMY; AND (C) TO "EXPOUND" OFFICIAL GDR VIEWS TO THE USG.
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BEIL MATTER-OF-FACTLY SAID THAT HIS INABILITY TO FOLLOW-THROUGH ON HIS INTENTIONS WAS UNFORTUNATE BUT NOT IRREPARABLE. HOWEVER, THE CONSEQUENCE OF THE CONFLUENCE OF EVENTS IN THE EAST-WEST TRADE FIELD WAS THAT THE RAPID BILATERAL TRADE EXPANSION WHICH THE GDR HAD COUNTED ON WOULD NOT BE REALIZABLE PRIOR TO 1978.

6 COMMENT: EMBASSY BELIEVES THAT DOWNEY-BEIL ENCOUNTER WAS USEFUL. WHILE NOTHING TANGIBLE IS LIKELY TO RESULT FROM THIS SESSION, IT EXPOSED BEIL TO CURRENT OFFICIAL WASHINGTON VIEWS, AND IT PROBABLY SERVED TO CLEAR AWAY SOME MISCONCEPTIONS.COOPER

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